

ESG PORTFOLIO MANAGEMENT

Monthly report April 2020



We welcome new advisory board members:

Eveline Lemke, is founder of [Thinking Circular®](#) and former Minister for Economy, Climate Protection, Energy and Land Planning in Rhineland-Palatine.

Paul Smith, FCA, CFA, MA, is an independent corporate director. He served as President and CEO of CFA Institute from January 2015 to September 2019.

ESG PORTFOLIO MANAGEMENT RECEIVES THE MAXIMUM LEVEL IN THE TELOS ESG CHECK



<https://www.esg-portfolio-management.com/wp-content/uploads/2020/04/TELOS-ESG-Check-onePager-ESGPM.pdf>

UI CHAMPIONSCALL WITH ESG PORTFOLIO MANAGEMENT

http://www.csnstart.de/flashvideo/esg_portfolio_management/

Please contact klein@esg-pm.com for an english version

OUR MARKET SUMMERY AND OUTLOOK

The Covid-19 virus has severely affected living conditions and economies globally – especially airlines, cruise operators, hotels and restaurants suffer. Also, many industrial companies faced or are facing shutdowns.

Overall, the losses of millions of jobs led to discussions and reflections: What do we really need and want? Many consider changing habits, lifestyles and priorities. What does this mean for businesses, credit risks and equity prices? We assume that travel will be negatively impacted in the long run as video conferences reduce the necessity to fly to attend business meetings. Furthermore, lively discussions show that many consumers are switching to healthier sourced food options and consider social factors like working conditions in the supply chain when buying textiles. Also, reducing plastic waste becomes more important. As bad as Covid-19 is, many see it as a “small exercise” compared to managing climate risks. This might explain the growing opposition against subsidizing polluting cars.

We will continue to invest in companies with obvious sustainable purpose (positive SDG impact) and highest ESG qualities. They belong very often to the sectors education, healthy food, pharma, renewable energy and sustainable infrastructure. Those companies tend to have more stable cash flows, lower debt levels and better credit

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 qualities. Their products and financials make them much more resilient. This should also reduce their equity price risk. Interestingly, many of those companies' headquarters are based in Scandinavia.

As we continue to expect long term negative effects from the crisis, as it will take time to research and produce an effective vaccine, we do not fully understand the steep equity rally during April and bought further long dated DAX put options during the month. Although we do not expect to hit the DAX low of 8.257 (March 19th) again, we can imagine to touch the 9.500 during the next months, driven by weak company outlooks and possible defaults of former blue chip companies.

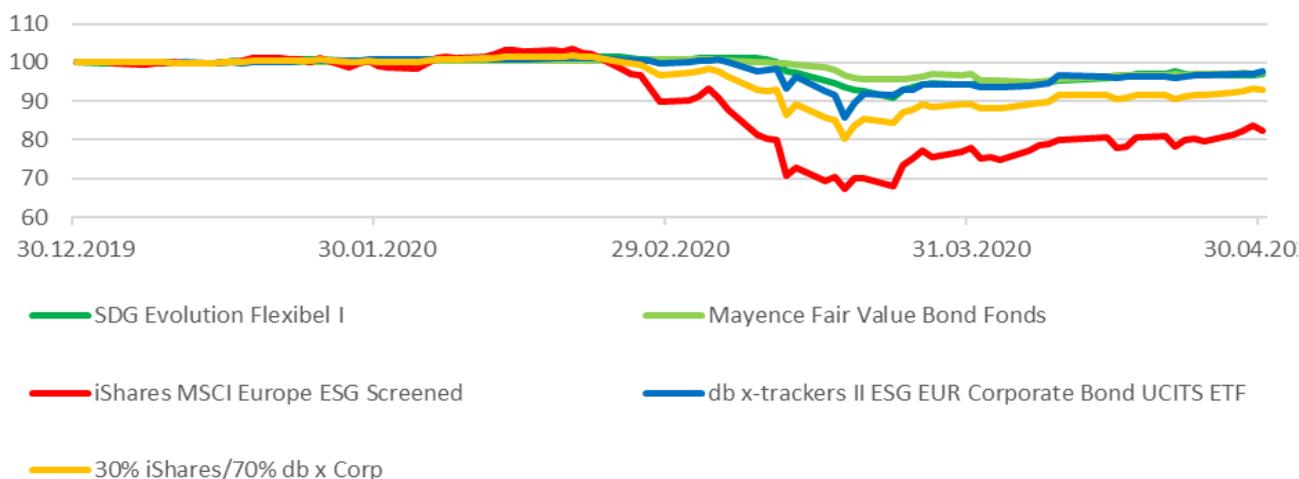
Although central banks across the globe have shown strong commitment to support government spending, record issuance of government bonds could lead to increasing yields. Additionally, we see first signs of price increases (food). Therefore, we continue to partially hedge our interest rate risks in both funds.

SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

In April, the SDG Evolution Flexibel I performed 2.72% losing a bit of the relative outperformance we generated during March. Several attractive new issues such as Akzo 2030, Carrefour 2027, Givaudan 2032 and Lonza 2027, which we bought during March and April, performed very well. As owners of Gilead shares, we are happy that we contributed a (tiny) bit to finance medical research treating Covid-19 patients.

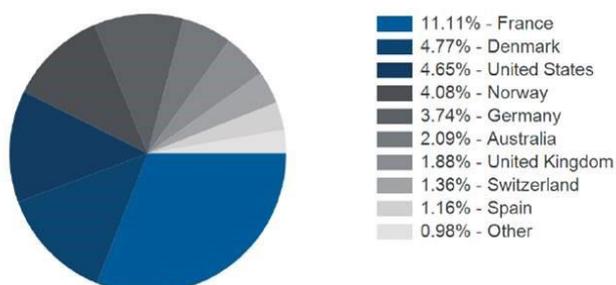
On the other hand, we sold Danone, Merck and Novo Nordisk, despite their very high ESG quality and SDG impact as we extended our (already long) exclusion list to reflect all requirements of the catholic church.

Performance comparison 1.1. - 30.4.2020

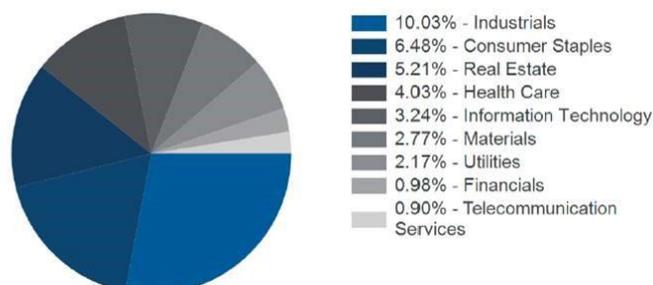


Source: Bloomberg, as at April 30th 2020, January 1st = 100

Equities by Country



Equities by Industry Sectors

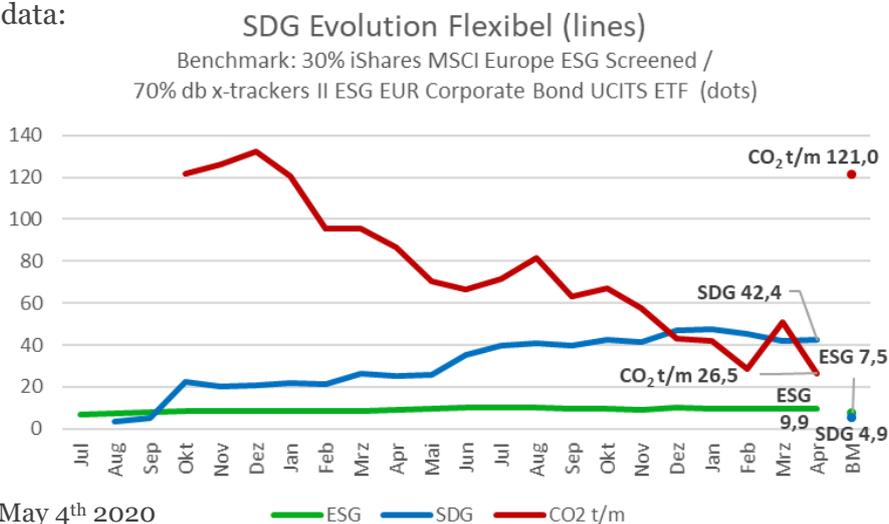


Source: Universal Investment, April 30th 2020

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The SDG Evolution Flexibel achieves an ESG score of 9.9 (maximum 10). 11% of our positions got an ESG rating upgrade and no position a downgrade. For E we get 6.7, for S 6.0 and for G 6.7. Carbon emissions, at 26.5 t CO₂ per USD million of sales, are well below the benchmark (30% iShares MSCI Europe ESG Screened / 70% db x-trackers II ESG EUR Corporate Bond UCITS ETF: 121 t). The SDG score is 42.4% (source: MSCI ESG).

The graph presents the fund's ESG quality, SDG impact and carbon emissions over time. The dots represent current benchmark data:



Performance SDG EVOLUTION FLEXIBEL I (WKN: A1W9AZ)

Monthly Returns (in %) - ESG Portfolio Management GmbH advises since July 2018 (green fields)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014			-0.48	0.75	0.68	-0.05	-0.25	1.08	0.30	-1.30	2.11	-1.20	1.60
2015	3.23	2.58	0.63	-0.49	-0.38	-2.49	1.52	-4.97	-1.13	4.00	1.90	-1.86	2.19
2016	-3.02	-2.12	1.21	-0.19	-0.17	-1.83	0.64	0.50	-0.47	-0.37	-0.93	1.41	-5.32
2017	0.16	1.13	1.51	0.85	0.28	-1.33	0.34	-0.72	2.96	0.84	-0.62	-0.32	5.12
2018	0.92	-1.36	-1.01	1.38	-1.23	-0.53	1.16	-0.84	-0.12	-1.57	0.42	-2.09	-4.84
2019	1.78	1.65	0.44	1.17	-1.07	-1.13	0.03	-1.22	-0.83	-0.08	1.18	0.68	2.55
2020	0.32	0.52	-6.43	2.72									-3.08

Source: Universal Investment, May 4th 2020

Portfolio statistics as at April 30th 2020 (Source: Universal Investment)

(net) Asset Allocation

Equities	14.37%
Bonds	41.48%
Gold	0%
Cash	-0.44%

Risk measurement

Risk-return profile	4 (max. 7)
Volatility 3 years	4.86%
Ø Credit-Rating	BBB+
(net) Interest duration	0.57
Spread duration	5.63

Awards



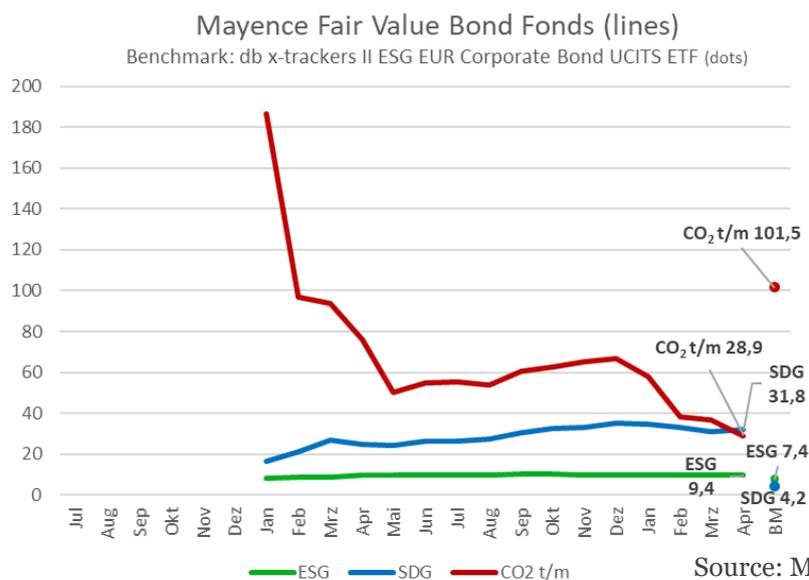
Product details as at April 30th 2020 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
SDG Evolution Flexibel I	A1W9AZ	DE000A1W9AZ5	1,04%	10.4	100.000 EUR
SDG Evolution Flexibel R	A1W9AA	DE000A1W9AA8	2,00%	0.2	100 EUR
SDG Evolution Flexibel S	A1W9A0	DE000A1W9A02	0,67%	0.7	1.000.000 EUR

MAYENCE FAIR VALUE BOND FONDS (WKN: A2AQZE)

In April, our bond fund generated a return of 0.65%. Here as well we invested in the new issues mentioned before. Additionally, we bought the very attractive new five year Nextbike impact bond which offers a 6% coupon. The fund has a very high ESG score of 9.4 (max. 10). 7% of our positions received an ESG rating upgrade and no position a downgrade. For E we get 6.6, for S 6.2 and for G 6.6. The Mayence achieves an SDG impact of 31.8%. The CO₂ emissions of the companies in the portfolio amount to 28.9 t CO₂ per million USD of sales (benchmark: db x-trackers II ESG EUR Corporate Bond: 101,5 t) (sources: MSCI ESG).

The following chart shows the fund's performance in terms of ESG quality, SDG impact and CO₂ emissions. Here, too, the points represent current benchmark data:



PERFORMANCE MAYENCE FAIR VALUE BOND

Monthly Returns (in %) - ESG Portfolio Management GmbH advises since February 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-0.54	1.62	-0.15	1.04	-0.20	-0.35	-0.46	0.09	0.39	0.79	-0.66	0.03	1.58
2018	-0.55	0.07	-0.66	0.61	-0.41	-1.75	1.31	-0.56	0.81	-0.68	-0.73	-0.52	-3.07
2019	1.06	0.63	-0.37	0.68	0.01	-0.30	0.07	-0.98	-0.72	0.12	-0.29	0.04	-0.06
2020	0.41	0.45	-3.93	0.65									-2.47

Source: Universal Investment, May 4th 2020

Portfolio statistics as at April 30th 2020 (Source: Universal Investment)

Rating Distribution

AAA/AA	2.48%
A	28.97%
BBB	53.63%
BB	3.99%
NR	10.93%

Risk measurement

Risk-return profile	3 (max. 7)
Volatility 3 years	3.03%
Ø Credit-Rating	BBB+
(net) Interest duration	3.06
Spread duration	5.41

Awards



Product details as at April 30th 2020 (Source: Universal Investment)

	WKN	ISIN	TER	AuM	Min. Investment
Mayence Fair Value Bond	A2AQZE	DE000A2AQZE9	1,13%	20.4	25.000 EUR

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The fund has increased volatility due to its composition and investment policy, which means that unit prices may be subject to significant upward and downward fluctuations within a short period of time. Calculations or yield data are not to be understood as a yield commitment; they are purely indicative and based on data and assumptions that may possibly not be realized in practice, only in a different form or at different times. As a result, there is a risk that, in reality, lower returns or even losses, even total loss, will be achieved. Past performance is no indication of future performance.

ESG Portfolio Management GmbH, headquartered in Frankfurt am Main, is an owner-managed company with core competence in bank-independent advice on capital market products. It develops tailor-made solutions for professional investors in order to generate sustainably adequate income despite rather low risk budgets. ESG Portfolio Management is initiator and advisor to the funds Skalis Evolution Flex and Mayence Fair Value Bond Fonds.

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